IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

United States Courts
Southern District of Texas
ENTERED

OCT 02 2003

Michael N. Milby, Clerk of Court

SOURCE, INC., §
§
Plaintiff, §
§
v. § CIVIL ACTION NO. H-03-1689
§
§
UPROMISE, INC., §
§
Defendant. §

MEMORANDUM AND ORDER OF TRANSFER

Pending is Defendant Upromise's Motion to Transfer Venue (Document No. 5). After having carefully considered the motion, response, reply, and applicable law, and having heard the additional arguments of counsel at the Rule 16 Conference, the Court concludes that the motion should be granted.

I. Background

This is an action for alleged infringement of four patents by Defendant Upromise, Inc. ("Upromise").

Source is a Delaware corporation with its principal place of business in Newhall, California. Pl.'s Original Compl. ¶ 1. Upromise is a Delaware corporation with its principal place of business in Needham, Massachusetts. *See* Document No. 6 ¶ 2. Source alleges that "Upromise, by its conduct of its promotion, solicitation, and offering to consumers the ability to become a

15

member of Upromise's rewards and rebate and loyalty program, through their website http://www.upromise.com is utilizing and practicing the claimed inventions in the [four] patents." Pl.'s Original Compl. ¶ 9. Source claims that Upromise is infringing by "making, using or selling, offering for sale and/or selling within this judicial district and elsewhere in the United States, without license or authority from Source, hardware, processes and methods that practice the inventions claimed in the [four] patents." *See* id. ¶ 11.

Although neither Source nor Upromise is a Texas corporation, and neither has its principal place of business in Texas, Source alleges that venue properly lies in Houston under 28 U.S.C. §§ 1391(c) and 1400(b) because "acts constituting infringement have occurred in this judicial district." Id. ¶ 4. In its Motion to Transfer Venue and Memorandum in Support (Documents No. 5, 6) Upromise concedes for purposes of its motion that venue in the Southern District of Texas is proper. However, Upromise contends that "Source chose this venue solely to make it difficult and costly for Upromise to defend itself." Document No. 6 ¶ 1. Upromise maintains that no known witnesses reside in Texas, that no known sources of proof relevant to the case are located in Texas, and that Source has failed to allege a single operative event that occurred in Texas. *See* id. Indeed, Upromise argues, the majority of witnesses and documentary evidence are in Massachusetts, which has a "significant connection" with the events alleged and would provide a more convenient venue. *See* id.

II. Discussion

Title 28 U.S.C. § 1404(a) permits a district court to transfer an action to another district "[f]or the convenience of parties and witnesses, in the interest of justice." The transfer of an action under § 1404(a) is committed to the sound discretion of the district court and is made for the purpose of preventing waste of time, energy and money, and to protect litigants, witnesses, and the public against unnecessary inconvenience and expense. *See* Van Dusen v. Barrack, 84 S. Ct. 805, 809 (1964); Stabler v. N.Y. Times Co., 569 F. Supp. 1131, 1137 (S.D. Tex. 1983); *see also* Jarvis Christian College v. Exxon Corp., 845 F.2d 523, 528 (5th Cir. 1988) (holding that review of the decision of the transferring judge is limited to abuse of discretion). Section 1404 vests discretion in the district court to adjudicate on an "individualized, case-by-case consideration of convenience and fairness." Van Dusen, 84 S. Ct. at 812; Stewart Org., Inc. v. Ricoh, 108 S. Ct. 2239, 2244 (1988). A movant, however, has the burden of establishing that the balance of convenience and justice weighs strongly in favor of transfer. *See* Gulf Oil Corp. v. Gilbert, 67 S. Ct. 839, 843 (1947).

In considering whether to grant a transfer under § 1404(a), a district court should consider factors such as those set forth in Houston Trial Reports, Inc. v. LRP Publications, Inc., 85 F. Supp.2d 663 (S.D. Tex. 1999) (Rosenthal, J.). These factors fall into two categories: private interest factors and public interest factors. *See* id. at 668.

A. Private Interest Factors

The private interest factors focus on such matters as (1) the availability and convenience of the witnesses and parties, (2) the cost of obtaining the attendance of witnesses and other trial expenses, (3) the location of books and records, (4) the place of the alleged wrong, (5) the plaintiff's choice of forum, and (6) the possibility of delay or prejudice if a transfer is granted. *See* id. Contrary to Source's assertion, the location of counsel "is irrelevant and improper for consideration in determining the question of transfer of venue." In re Horseshoe Entm't, 337 F.3d 429, 434 (5th Cir. 2003).[1]

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[1] At the Rule 16 Conference, when asked why this case should be retained in this district, Plaintiff's counsel replied, first, because Plaintiff's counsel resides here. Although counsel gave this reply with a smile, perhaps even facetiously, upon full analysis it turns out that the residence of Plaintiff's counsel is the only distinctive reason to file this suit in the Southern District of Texas.

1. Location of Witnesses and Parties

"Intellectual property suits often focus on the activities of the alleged infringer, its employees, and its documents; therefore the location of the alleged infringer's principal place of business is often the critical and controlling consideration" in evaluating motions to transfer. Houston Trial Reports, 85 F. Supp.2d at 668 (quoting Habitat Wallpaper & Blinds, Inc. v. K.T. Scott Ltd. Partnership, 807 F. Supp. 470, 474 (N.D. Ill. 1992)). In addition, a forum where most material non-party witnesses will fall within the subpoena power of the court is to be favored. *See* Moore's Federal Practice § 111.13[1][g]. Upromise is a Massachusetts corporation with its principal place of business in Needham, Massachusetts. Upromise states that its potential witnesses include various corporate officers and managers with knowledge of how Upromise tracks and records transactions with merchants, as well as how revenue and profits are derived from those transactions. *See* id. ¶ 12; Aff. of Neal Winneg, Document No. 6 App. B ¶¶ 3-4. At the Rule 16 Conference Upromise disclosed that one of its witnesses is a former employee of Upromise who is located in and subject to the subpoena power in the District of Massachusetts. *See* id. Source has listed *no* potential witnesses located in Texas although it suggested that it may employ expert witnesses in Texas.

Both parties acknowledge that Patrick McCarthy, the sole named inventor of the patents at issue, may be a witness. McCarthy resides in Louisville, Kentucky. Source claims that it can produce McCarthy in this district or elsewhere. If designated as a witness, McCarthy would be presumably equally inconvenienced by attending court either in Massachusetts or in Texas. On the whole then, the location of presently known potential fact witnesses weighs in favor of transfer.

2. Cost of Obtaining Witnesses

Of the potential witnesses known, nearly all reside or at least work in Massachusetts and procuring their presence for trial in Massachusetts would be far less costly than for a trial in Houston. A transfer should not be ordered if the result is merely to shift the necessary and natural inconvenience of litigation from one party to another. *See* Gardipee v. Petroleum Helicopters, Inc., 49 F. Supp.2d 925, 928 n.1 (E.D. Tex. 1999); Cont'l Airlines, Inc. v. Am. Airlines, Inc., 805 F. Supp. 1392, 1395 n.10 (S.D. Tex. 1992). Source, however, has alleged no ties to Texas other than acts of claimed infringement occurring in this judicial district. Moreover, Source has identified no potential witnesses in Texas nor has it shown how a transfer of venue to Massachusetts would increase the costs of its presenting witnesses. The significantly less cost of obtaining witnesses shown by Upromise, therefore, on balance weighs in favor of transfer.

3. Location of Books and Records

If documents and records can be produced and examined anywhere, their location does not itself create grounds for transferring venue. *See* Cont'l Airlines, 805 F. Supp. at 1397-98. Neither party suggests that any documentary evidence is located in Texas, though the patent infringement at issue allegedly occurred through sales and promotions in this judicial district and involved a website. *See* Pl.'s Original Compl., Document No. 1 ¶¶ 9, 11. In any event, documents in the possession of Upromise would be easily accessible in Massachusetts, for that is where its marketing and promotional materials are produced. *See* Document No. 6 ¶ 14; Aff. of Neal Winneg, Document No. 6 App. B ¶ 8. Source has not shown where the relevant patent documents are located, or that they are not easily transportable. On balance, this factor weighs in favor of transfer.

4. Place of the Alleged Wrong

The place of the alleged wrong is a significant factor in assessing the merits of a transfer. *See* Houston Trial Reports, 85 F. Supp.2d at 670. Source alleges that acts of infringement occurred in Texas, and in support of this assertion Source exhibits an excerpt from Upromise's website. The website, Source acknowledges, is used by Upromise to market and sell its customer loyalty programs and products "to an International audience, including Texans." The excerpt from the website that Source exhibits is simply a listing of restaurants in the Houston area at which Upromise's customers might obtain discounts when using their credit cards that are registered with Upromise. This is presumably an example of numerous other lists of participants in numerous other States and abroad, where Upromise markets and sells its customer loyalty programs and products. There is nothing distinctive about Texas in this context, and certainly nothing about this exhibit that appears to bear upon whether Upromise's technology infringes any claims in Plaintiff's patents. As already observed, Plaintiff has listed no witnesses from Texas. Upromise, on the other hand, has shown that the allegedly infringing technological and promotional materials were developed, produced, and tested in Massachusetts. *See* Aff. of Neal Winneg, Document No. 6 App. B. ¶ 7. Given Source's inability to show any distinctive, material ties to Texas, and the likelihood that Massachusetts was the location where the alleged wrong was conceived, planned, tested, and implemented, this factor weighs in favor of transfer.

5. Plaintiff's Choice of Forum

Although usually accorded substantial weight, a plaintiff's choice of forum "will be forsaken when the location of the defendants and witnesses, evidence, and the locus of operative facts, all point to a venue other than that selected by the plaintiff." Coons v. Am. Horse Show Ass'n, Inc., 533 F. Supp. 398, 400 (S.D. Tex. 1982). A "plaintiff's choice of forum is clearly a fact to be considered but in and of itself is neither conclusive nor determinative." In Re Horshoe Entm't, 337 F.3d at 434. The plaintiff's choice of forum deserves particular scrutiny when the plaintiff does not reside in that judicial district or division. *See* Dearing v. Sigma Chem. Co., 1 F. Supp.2d 660, 665 (S.D. Tex. 1998). Source is not a Texas corporation and its principal place of business is far from Texas. *See* Pl.'s Original Compl. In fact, Source fails to allege that it has any place of business in Texas. None of the material witnesses or evidence is in Texas. Upon scrutiny, therefore, Plaintiff's choice of venue in Texas is rather inexplicable and deserving of far less deference than in the ordinary case.

6. Possibility of Delay or Prejudice

"[I]n rare and special circumstances a factor of 'delay' or 'prejudice' might be relevant in deciding the propriety of transfer, but only if such circumstances are established by clear and convincing evidence." In re Horseshoe Entm't, 337 F.3d at 434. Source argues that a transfer to the District of Massachusetts will cause undue delay because the average time from the filing of a case to disposition or trial is from four to six months longer in Massachusetts than in this district. This is not a substantial difference. Moreover, the average civil caseload of judges is far higher in this district than in Massachusetts. One should not expect any material delay in disposing of this case in the District of Massachusetts, where the dockets are materially lighter than here. This factor is at best a neutral one. To be sure, Source has not shown by clear and convincing evidence that undue delay will result from the transfer of this case.

B. Public Interest Factors

"The public interest factors address broader objectives, such as the fair and efficient administration of the judicial system." Houston Trial Reports, 85 F. Supp.2d at 668. If transfer would enable different cases involving the same parties and issues to be heard in a single forum, this factor is implicated. *See* Continental Grain Co. v. The FBL-585, 80 S. Ct. 1470, 1474 (1960) ("To permit a situation in which two cases involving precisely the same issues are simultaneously pending in different District Courts leads to wastefulness of time, energy and money that [section] 1404(a) was designed to prevent."). Source recently filed two other cases in this judicial district alleging patent infringement: one against Consumer First, L.L.C. ("Consumer First"), and one against Stockback, L.L.C. ("Stockback"). *See* Document No. 8, at 1-2. The Honorable Sim Lake granted a § 1404(a) motion by Consumer First, transferring venue to the Southern District of Ohio and mooting a motion by Source for consolidation with this case. The case against Stockback remains in the pleadings stage. Source did not sue these three defendants in a single action but in three separate lawsuits, one of which has already been transferred to the Southern District of Ohio. Furthermore, though all three actions involve patent infringement, Source has not shown that the other two cases it filed in this judicial district involve the same issues.

In addition to the possible consolidation of actions, courts have considered the administrative difficulties posed by a transfer, local juror interest in resolving the case, and potential conflict of laws problems. *See* Shoemake v. Union Pacific R.R. Co., 233 F. Supp.2d 828, 835 (E.D. Tex. 2002). None of these factors weigh against the transfer of this case.

III. Order

Taking into consideration all relevant factors, the Court finds that on balance the convenience of the parties and witnesses, and the interest of justice, all weigh heavily in favor of a transfer of this case to the District of Massachusetts. It is therefore

ORDERED that Defendant Upromise's Motion to Transfer Venue (Document No. 5) is GRANTED. This case is TRANSFERRED to the United States District Court for the District of Massachusetts, Eastern Division, pursuant to 28 U.S.C. § 1404(a).

The Clerk will mail a copy of this Order of Transfer to the Clerk of the United States District Court for the District of Massachusetts, and shall notify all parties and provide them with a true copy of this Order.

SIGNED in Houston, Texas, this 1st day of October, 2003.

EWING WERLEIN, JR.
UNITED STATES DISTRICT JUDGE